

NATIONAL REAL ESTATE and BUILDING JOURNAL

MAY • 1955



THE PROBLEM

*Minority Housing
Can be Profitable
... page 18*



THE SOLUTION



This bathroom built by J. G. Lehman and Asso., Cincinnati, O.
Formica fabricated by Muellers Cabinet Shop.

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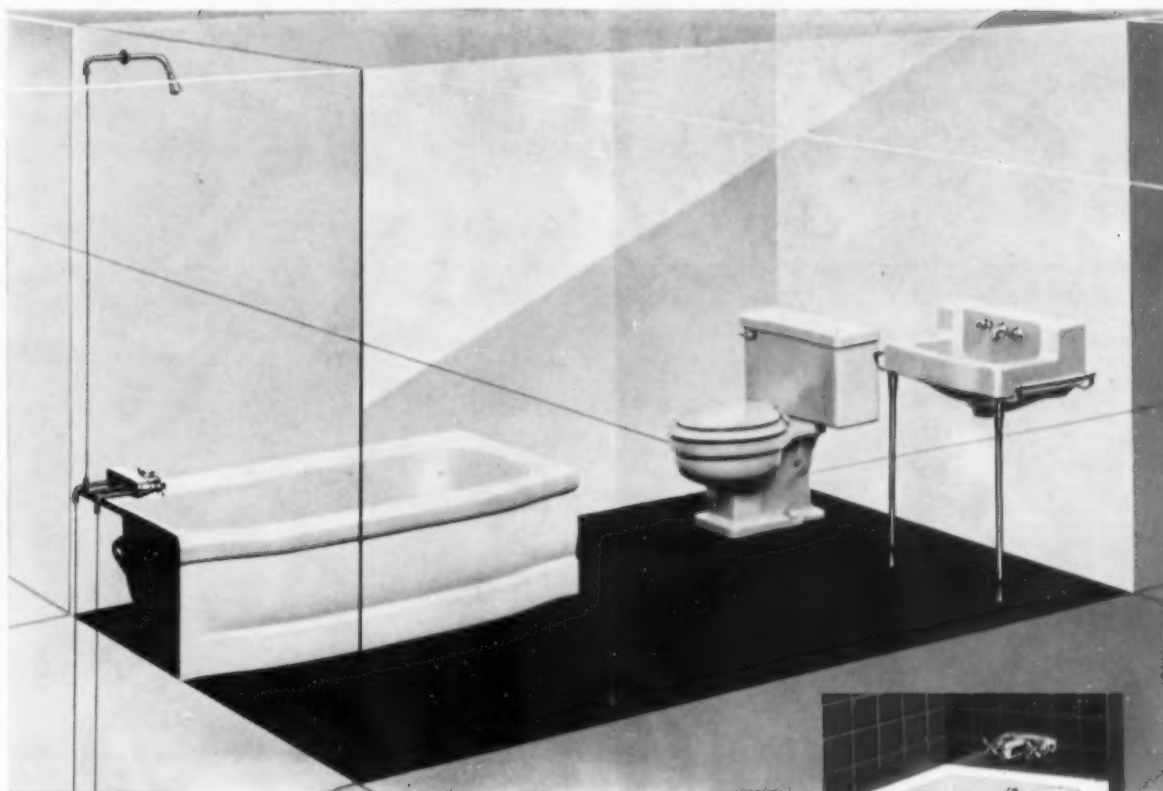


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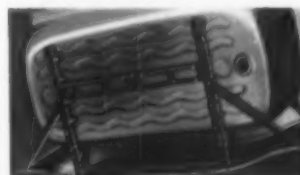
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VOLUME FIFTY SIX • NUMBER FIVE • MAY • NINETEEN FIFTY FIVE



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PREVIEW OF COMING ISSUES

Hot weather — hot issues: June will bring the JOURNAL's Air Conditioning issue . . . everything aimed at analyzing the sales value of air conditioning . . . in new *and* existing homes . . . how to merchandise with air conditioning . . . Plus — another hard-hitting sales training article . . . A leading corporation executive's ideas on selecting industrial sites . . . And always more on sales, with some sensible ideas on office layouts

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THE JOURNAL REPORTS



Mortgage Debt Debate Warms Up

The new national pastime among spokesmen in real estate, home building, mortgage financing, government housing and what-have-you, is to come out with statements about the economic implications of the continued housing boom.

Both NAREB and NAHB are on record as denying that the size of the mortgage debt poses a serious threat to the economy. The VA has said flatly that it doesn't intend to change its downpayment policies or length of mortgage terms. A few financial people assert they see nothing dangerous about the present rate of home building or the size of the mortgage debt.

On the other side, the array of expert analysts is similarly impressive, led, for the most part, by mortgage men and some savings and loan spokesmen. The United States Savings and Loan League, for example, says that "continuation of a high level of housing starts, stimulated by government insurance and guaranty of mortgages with minimum downpayments, maximum maturities, and interest rates inadequate for building loss reserves, might end in a general collapse of residential real estate values."

Boeckh's "Building Costs" analysis points to the increase in non-farm mortgage foreclosures and says that "all this indicates over-extended debt levels of individuals."

What Does It Boil Down To?

Essentially, it appears that the argument hinges on which facts you want to emphasize and which ones you choose to ignore.

The concern over the number of "weak spots" in the economy is matched by the continued increase in the gross national product. The size of the mortgage debt — and this \$75 billion figure is one you hear quite often these days — is balanced by the fact that the mortgage debt "amounts to approximately 45% of the value of all mortgaged homes," and that "only 4% have mortgages on them over 80% of value."

The unfortunate fact remains that no one can reach any certain conclusions of the situation on a national level. The only things you can depend on are the facts of your own local situation.

From all we can learn about the housing market at the local level, it seems to be tightening up in a

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few parts of the country, chiefly as a result of the predicted tightening of the mortgage market.

The main sources of mortgage money are getting edgy — not to the point of cracking down hard, but at least to the point where discount financing is becoming popular again, and home builders without well-established connections are already having trouble.

So, in spite of all the advice and shrewd analysis, you've still got to draw your own conclusions and do what you think is best.

Facts and Figures

On a nation-wide basis activity in residential building is still fast-paced. In terms of expenditures, here are figures on February and March production:

February, 1955	March, 1955
Down 7% from record January, 1955, but up 36% from February, 1954.	Up 11% from February, 1955, and up 33% from March, 1954.

Although industrial building shows a very slight decline, commercial construction expenditures, like residential show remarkable increases:

February, 1955	March, 1955
Warehouses, office and loft buildings down 2% from January, 1955, but up 14% over February, 1954.	Warehouses, office and loft buildings down 1% from February, 1955 but 17% higher than March, 1954.
Stores, restaurants and garages up 11% over January, 1955 and 36% over February, 1954.	Stores, restaurants and garages up 10% over February, 1955 and up 50% over March, 1954.
Overall commercial increase 5% over January, 1955, and 25% over February, 1954.	Overall commercial increase 5% over February, 1955, and 35% over March, 1954.

A glance at the figures (by quarter) of home mortgage lending during 1953 and 1954 gives a clear idea of the rapid increase in the amount of home mortgage loans outstanding:

1953	(in millions)	1954
1st quarter	\$60,230	1st quarter\$67,586
2nd quarter	62,042	2nd quarter 69,631
3rd quarter	63,869	3rd quarter 71,913
4th quarter	65,909	4th quarter 74,935

Prefab Convention Report

P. S. Knox, Jr., president of the Knox Corporation and newly elected president of the Prefabricated Home Manufacturers' Institute, said during the PHMI convention cruise to Bermuda that "prefabricated homes are now so good that they should be selected by preference over conventional construction by the public as well as by mortgage lenders and others."

Gen. John J. O'Brien, outgoing president, cited the 34% gain in prefab shipments during 1954 over 1953 as "irrefutable evidence that home prefabrication is no longer in the experimental stages. . . . With the public sold on prefabrication nothing can stop the forward surge of this business."

Record-Breaking Pace in Housing-Starts Continues

First estimates of housing starts in March totaled 117,000 or 21,800 over March of 1954, and 27,000 over February, 1955. January and February of 1955 both exceeded the totals for those months in 1950, the record-breaking year. March, 1955 came within 300 of the 1950 March total. Seasonally adjusted figures for 1955 show, on the basis of the first three months, a yearly total of 1,407,000 starts, well above the 1950 total. The 1955 figures, of course, are preliminary. (Figures given are in thousands.)

Housing Starts — Public and Private						
	1950	1951	1952	1953	1954	1955
Jan.	78.7	85.9	64.9	72.1	66.4	88.0
Feb.	82.9	80.6	77.7	79.2	75.2	90.0
Mar.	117.3	93.8	103.9	105.8	95.2	117.0
Apr.	133.4	96.2	106.2	111.4	107.7	—
May	149.1	101.0	109.6	108.3	108.5	—
June	144.3	132.5	103.5	104.6	116.5	—
July	144.4	90.5	102.6	96.7	116.0	—
Aug.	141.9	89.1	99.1	93.2	114.3	—
Sept.	120.6	96.4	100.8	95.1	115.7	—
Oct.	102.5	90.0	101.1	90.1	110.7	—
Nov.	87.3	74.5	86.1	81.5	103.6	—
Dec.	93.6	60.8	71.5	65.8	90.6	—
Yearly Totals	1,396	1,091	1,127	1,103	1,220	—
First 3 Months	279	260	246	257	236	295
Seasonally adjusted annual rate (private only), first three months of 1955:						
January	1,424,000				
February	1,381,000				
March	1,407,000				

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BOOK SHELF

Tax Opportunities in Real Estate

AN EXTREMELY valuable and useful book on the major aspects of real estate taxation is now available to all concerned with the subject — real estate men, attorneys, investors, tax specialists, etc.

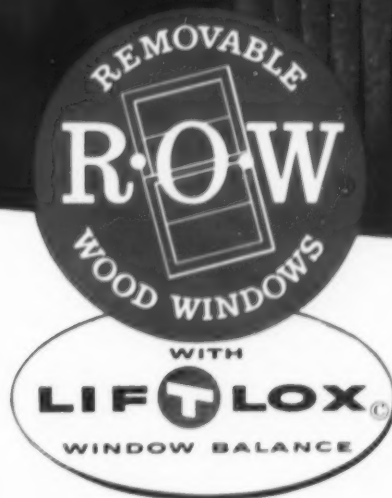
Designed as a guide, "Tax Opportunities in Real Estate" gives a coherent picture of the many ways

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in which knowledge of tax laws and procedures can be used to best advantage.

The authors, P. H. Haber and B. H. Botkin, assert that they use a "chronological framework to follow the typical career line of a real estate investor as he acquires, uses, and disposes of the property."

The aim has been to write a useful tax book in non-technical language, an achievement of no mean proportions when one considers how complicated tax problems usually are. The book is well-arranged, with references placed at the end of chapters so that the text isn't cluttered with footnotes.

"Tax Opportunities in Real Estate" is available from Tax Publishers, Banker Bldg., Los Angeles 14, California, at \$4.50 per copy.

NAHB Convention Record

HERE in one volume is the record of the National Association of Home Builders' 11th Annual Convention, held in Chicago in January. For those who didn't attend the convention, it is a convenient and informative collection of important meetings, special sessions and policy decisions.

The information is all arranged according to ten separate headings, and although there is cause to wonder why some articles were classified as they were, for the most part it is a useful breakdown.

The subjects are Merchandising, Design, Financing, Land Planning, Taxation, How-to-do-it, Awards, FHA-VA, Economic Outlook and General Information.

The Record is thumb-indexed, illustrated and has a hard-cover binding. Copies can be obtained from NAHB headquarters, 1028 Connecticut Avenue, Washington, D.C., for \$5.00.

Housing Almanac

THIS is the first annual Housing Almanac, published by the National Association of Home Builders and compiled by the NAHB research staff. John Dickerman, NAHB executive director, says in the foreword that the purpose of the Almanac is "to provide a basic reference guide to the most essential facts about the industry."

The Almanac's nine chapters cover the housing market, the home building industry, problem areas (community facilities, slums, minority housing, trade-ins, etc.), special housing programs, federal housing activities, NAHB, United States government, statistics and directories.

The Almanac contains extremely interesting and valuable information. For the most part, of course, it is limited to data that reveal changes on a national or regional level, but the over-all picture it presents can give any reader a fair idea of what is going on in the housing industry.

"The Housing Almanac" can be purchased from the National Association of Home Builders, 1028 Connecticut Avenue, Washington, D.C., for \$2.00. (Combined price of the NAHB Convention Record and The Housing Almanac is \$6.00.)

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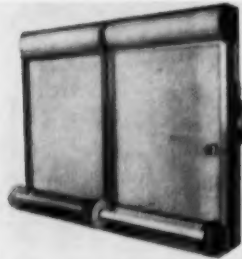
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Product Progress

Self-Cleaning Air Filter



Here is the Roll-O-Matic, an automatic self-cleaning air filter designed for commercial and industrial ventilating and air conditioning systems, manufactured by American Air Filter Company, Inc. of Louisville, Kentucky. The filtering media is a continuous length of fiber glass material supplied in rolls which rotate from the top mounting down the face of the filter and is rerolled at the bottom after collecting its dust load. The Roll-O-Matic is made in vertical sections 3, 4 and 5 feet wide and in heights from 5 to 15 feet in four inch increments.

Ceiling Heater for Bathrooms



Employing radiation from heat lamps, this Model 5003 Pryne Ceiling Heater, manufactured by Pryne and Company of Pomona, California, instantly directs infra-red heat rays from ceiling to floor at the flick of a switch. Recommended for bath-

5-1

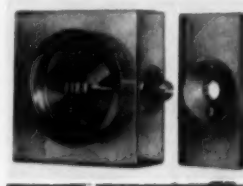
Roll Roofing and Siding

3-3

Cross corrugated aluminum roll roofing and siding, a new development in the metal building materials field, is now being manufactured by Quaker State Metals Company of Lancaster, Pennsylvania. Rolls come in standard lengths of 50, 100 and 200 feet and can be unrolled, cut and handled on the roof. The manufacturer says sheathing or decking is not required and no re-spacing of rafters is necessary. The manufacturer further claims the roofing never needs painting, is resistant to corrosion by industrial fumes and gases and is rust-proof, rat-proof and fire-proof.

"Two-Bore" Sliding Door Lock

5-4



Revolutionary in both design and operation is this new sliding door lock developed by Adams-Rite Manufacturing Company, Glendale, California. The split ball-shaped bolt gives smooth snubbing latch action and serves as a convenient edge pull. Installation requires only a standard 2 1/8 inch diameter bore through the stile. The lock is adjustable for all doors 1 3/8 inch to 1 3/4 inch in thickness. The locking and non-locking escutcheons are interchangeable, making the lock reversible on the job. The lock is solid brass except for hardened steel bolt and strike.

Paint For Professionals

5-5

Dull-Fin Alkyd Flat, a product developed for use by the professional painter engaged in maintenance work, has been announced by the F. O. Pierce Company, Long Island City, New York. According to the manufacturer, Dull-Fin Alkyd Flat is ideally suited for decorating walls and ceilings in hospitals, schools, public buildings and offices where speed and low decorating costs are important factors. It is formulated with a completely Alkyd vehicle and is said to be rapid drying to allow quick occupancy of rooms. Available in white only, good washability and superior color retention are claimed to be additional features of this product.

Convenient Cabinets

5-6



Practical, new custom-type features have been incorporated in the new Marvel Steel Base and Wall Kitchen Cabinets manufactured by Marvel Metal Products Company of Chicago. They include new cup hooks and plate grooves, a steel condiment basket attached to the inside of the door, flush design, and chrome trim on

(Please turn to page 39)

Handy Inquiry Form

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From Journal Readers

Gentlemen:

"I was pleased with the manner in which my February article, 'Let's Bring 'Em Back to the Office,' was handled and have been quite flattered at the number of fine letters received from Realtors throughout the country.

"I thought the article entitled 'I am Proud' was an exceptional one and was greatly pleased with the entire issue.

"Best of luck to you. I believe the JOURNAL certainly is becoming the finest publication of its kind."

FLOYD LOWE
Palo Alto, California

Gentlemen:

"We have been subscribers to your magazine for quite some time now, and I just want to take a few minutes to tell you how very much my sales force and I enjoy your publication.

"It is always helpful and gives us many good ideas."

T. R. SHIPPEN
San Diego, California

Gentlemen:

"Here's my check for \$5.00. Please rush the JOURNAL to me for one year. It's the best real estate magazine in the world and I can not do without it."

MICHAEL MARTIN
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Camden 4, N.J.

Roster Correction

Leon E. Todd, chairman of NAREB's license law committee, has called to our attention that 43 states now have license laws, and the 39 reported on page 67 of the Official Roster of Realtors published last month is incorrect. Additional states which now have license laws are New Hampshire, Mississippi, South Dakota and Minnesota as well as Alaska.

Only states now unlicensed are North Dakota, South Carolina, North Carolina, Massachusetts and Rhode Island.

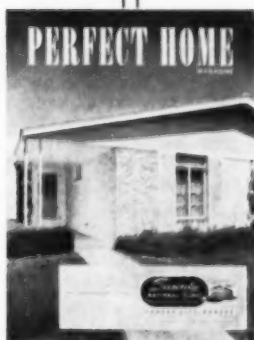
Todd says, "We have hopes that all the states except Massachusetts and Rhode Island will be successful this year, according to reports we are receiving."



M. L. Breidenthal has spent a lifetime in the banking business in Kansas City. The bank has always made real estate loans, and Mr. Breidenthal feels it is proper to encourage people to own their own homes. A past president of the Kansas Bankers Association and a graduate of the University of Kansas, Mr. Breidenthal is president of the University's Endowment Association.

"We are more than pleased with the results we have obtained through our association with PERFECT HOME."

Says M. L. Breidenthal, President of Security National Bank in Kansas City, Kansas.



PERFECT HOME is doing a fine job for us in creating goodwill among our customers," says Mr. Breidenthal. "It has helped us promote and encourage home ownership to the people of our community. It is a goodwill builder for us, and it stimulates people to own their own homes or to modernize homes they already own.

"We have had numerous calls from people in our area, requesting that their names be placed on our PERFECT HOME mailing list. We, of course, are always eager to oblige them.

"We are more than pleased with the results we have obtained through our association with PERFECT HOME Magazine."

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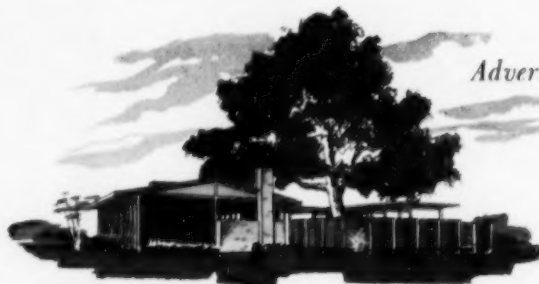
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PRE-SELLING
PROGRAM**



● The greatest promotional scoop in years! National Homes full-color advertising is now running in *Reader's Digest*, most widely read magazine in the world! Over 10 million families—the cream of home-buying prospects—will see these sparkling, persuasive messages. And be more pre-sold than ever on National homes!

This is in addition to our already huge campaign in *Life*, *Better Homes & Gardens*, *Saturday Evening Post* and 16 other power-packed publica-

NATION'S LARGEST PRODUCERS OF QUALITY HOMES



Advertisement

Homes Unlimited

BY JAMES R. PRICE

President, National Homes Corporation

SUPPOSE homes cost far less money. Suppose every family in the nation could afford a home. Suppose no young families had to double up with friends and relatives.

Well, that day is coming. It is coming because of the growing use of factory methods in home building. Assembly-line techniques—which produced better automobiles, refrigerators, and thousands of other products for less money—are today producing better homes for less money. The old, slow, costly, hand methods of conventional building—working on the site, under all kinds of weather conditions—are being more and more replaced by the better, faster, more efficient quality-controlled method of modern U. S. manufacturing.

This better method is not new. Doors have been factory-made and shipped to building sites for many years. So have windows. So have cabinets and all kinds of mill trim. Lumber itself is shaped in the mill and shipped to the site ready for building. But today whole walls, roofs and partitions are being assembled in the factory before being shipped by

One company, National Homes, produced better than one in every 48 of the single-family non-farm homes built in America in 1954.

fast trailer or train to the waiting builder. As a result, he can erect an entire house in a day and complete it in a week or two, if necessary.

There are many other advantages. For example, it offers home owners and, therefore, the communities where they build, the advantages of homes designed by nationally-known architects and color-styled by experts.

This is the inevitable home building method of the future. One company alone—National Homes—using this better, more economical manufacturing technique, has produced and sold nearly 75,000 houses.

If you would like further information on this significant building trend, simply write to National Homes Corporation, Box RD, Lafayette, Indiana.

tions—all aimed at making it easy for National Homes dealers to keep on building one out of every 48 homes in America today!

National Homes builder-dealers also benefit from expert help in land acquisition, site planning, financing, sales . . . as well as being able to offer today's outstanding home designs—tops in quality and value. Go NATIONAL and go places! Write for the franchise facts! NATIONAL HOMES CORPORATION, Lafayette, Ind.

© 1955, N. H. C.

Team Up For More Sales

TODAY'S fast growing competition in housing is bringing *more* rather than *less* business to alert real estate organizations. The big field for added commissions is the sale of new houses for contractors. More and more real estate companies are handling everything from land acquisition and financing to planning and selling contractors' new houses. Several large organizations make this their sole business.

This isn't a new idea. But the conditions are new which now make it possible to get more of this business. As you may know from exploring this field in the past, contractors once needed nothing but signs and order-takers to sell their new houses. And why should they pay a commission for that?

Now most contractors have a sales problem. As a result, many are taking advantage of the team idea, and many more will if properly approached. And a big share of those who remain to be sold are those who put up a mere handful of houses a year. Therein lies your opportunity.

The services you can offer these contractors are clear enough. As a real estate executive, you know the local market intimately, you know which locations are best, what features buyers want, and how to advertise and promote sales. Small contractors especially should welcome and even seek such counsel. And simple arithmetic can convince them it's worth while.

On an Eastern trip last month, we found many examples. One contractor had been building three houses a year. He was burdened with the red tape of acquiring land, getting financing and selling the houses. Like many other contractors who entered the built-for-sale housing field during boom years, he had enjoyed an Utopian sellers' market. But only a few months ago the bloom faded from the boom, and his number one problem became *sales*.

An aggressive real estate executive came along and showed him how he could build ten houses a year by turning over the sales — as well as land acquisition and financing — to a real estate company. And he used some convincing arithmetic:

The contractor had been realizing a profit of about 10% to 12% on his three houses a year. And with a 5% commission going to the real estate company his profit was naturally decreased. But the added volume and the increased salability of his houses more than offset it. Even if the contractor had taken the full 5% from his profits, he'd be enjoying a 7% profit on ten houses rather than 12% on three.

Everyone benefited from this alliance — contractor, real estate man, home buyer. The contractor was no longer saddled with land, financing and sales problems. He could now spend 100% of his time on construction — his specialty.

Aside from the commission on ten sales, the real estate man gained the satisfaction of having put his specialized knowledge to work. And he gained ten new clients which can add up to important re-sale business in the future. When any of those ten buyers needs a larger house or has to move to a different section of town, you can be sure the real estate company handling the original sale has an excellent chance of getting the listing. Indeed, the re-sale angle can be the most important long-run benefit.

If you haven't yet tapped this source of added business, now is the time to start. Contractors *need* expert planning and selling help. You can supply it and make more money by doing so.

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Minority



Slum area near a public school on the East side of Fort Worth. Lack of financing prevents many of these families from moving into better housing.

One of the first of 30 houses built by Edward Tilsen for the minority group in Minneapolis. The house has three bedrooms and can be built with varying front elevations.



Completed homes in the Jean M. Capers Addition by Purvis & York. The project has 160 two-bedroom homes. All are approved by FHA and sell for approximately \$7,000.



Kitchen is equipped with the latest in appliances. It is also large enough to provide a well-lighted airy working space, and room for a dining area.



Housing can be profitable

With the same kind of know-how and promotion, and adequate help with financing, minority housing developments can be as successful as any other developments. These Minneapolis and Fort Worth home builders have shown that these projects, sensibly handled, can be beneficial to all concerned — including the builder.

MINORITY housing can be both profitable and rewarding. For the home builder it provides a relatively untapped market and one that is eager for decent housing.

Minority housing need not be a crusade. You can handle it in the same way as you'd handle any other housing development. There are, of course, more obstacles to be overcome, but intelligent planning and an awakening on the part of mortgage lenders can go a long way in overcoming them.

That the minority groups provide a profitable market for new housing has been demonstrated by Edward N. Tilsen, president of Tilsenbilt Homes, Inc. of Minneapolis. In 1954 Tilsen picked up 63 lots scattered in a ten block area where the colored population amounted to only 15% of the population. When the project was completed all but 4% of the population was made up of the minority groups. Tilsen reported that there was no friction between the groups.

Several families living in the area were worried about the value of their property. Tilsen handled this by visiting the families and explaining that, from his experience, the value will not decrease if the owner doesn't scare and put his property up for sale immediately. He explains that minority group families will bid against each other if the houses are reasonable and the neighborhood is decent.

In promoting the minority housing project, Tilsen held open house in a pilot model. Invitations were sent to people in the neighborhood, both white and colored, to nearby ministers and officers of both Minneapolis and St. Paul home builders associations. Invitations were also extended to Urban League officers and to city officials. It was a typical open house promotion. There were no formal speeches. Coffee, cookies and candy were served, pictures were taken and no fuss was made about the fact that this was a minority housing project. Sales have proved that the project was a profitable success.

Close cooperation between the Minneapolis Urban League and the FHA were key points in securing the necessary financing. When Tilsen had completed plans for the project, he discussed financing with the Twin City Federal Savings and Loan Association

and obtained their approval, pending FHA and VA appraisal reports.

In Fort Worth, Texas, the Purvis & York Development Co. ran into a snag on financing for their minority housing project. Many mortgage lenders whom they contacted were interested in the development but stated that for one reason or another they were unable to sell minority housing mortgages. One company complained about collection problems, another was afraid that non-whites making payments in his office would alienate some of the "white" customers. Here and there a ray of hope was extended, only to be shut off a few weeks later.

After making the rounds and getting the answer "no," they started on the rounds again.

Finally, through Section 213 and with the assistance of the Fort Worth Urban League, Purvis & York was able to assist in sponsoring the first cooperative housing project in Texas.

The first development consisted of 38 homes, and they had more than enough applicants to take care of the commitments. When FNMA's one-for-one take-out program was in effect they were able to obtain out-of-town mortgage money to finance 22 additional homes. A local building and loan institution came through and agreed to handle loans on 30 additional homes.

Disaster struck again when an investor secured by FNMA rejected six out of the first nine applicants that had been approved by FHA. Purvis & York then had its mortgagees purchase FNMA advance commitments under the one-for-one plan, with the builder reimbursing the mortgagee for his loss. Since the commitments were issued in the name of the mortgagee they could be used for minority group housing if the loans were closed in the name of the mortgagee who purchased them. This plan enabled the project to be completed.

Jack H. York, in a speech at the National Urban League in Conference in Pittsburgh said, "I feel that with everyone working together as a team, the builders, mortgage companies, the Urban League and the FHA, we will make the grade and the time will come when everyone will realize that the minority group market is no different from any other market."

EVERYTHING you and I do as real estate salesmen in order to find a prospect has very little to do with *selling* the prospect. Everything we say in our advertising and everything we do along the line of publicity and promotion is the product of our thinking and effort to *get attention*. But it has nothing to do with the *personal side of selling*.

Let's say, for instance, that you have listed a nearly new home which has a living room wall made entirely of hand-cut stone, incorporating a modern type fireplace. Unconsciously you may develop the idea in your mind that this very feature will be the reason that any prospect would desire this home. It could be, too. Certainly it is something to advertise — something you can point to with pride — something to talk about.

But, the odds are that the person who will finally buy your home will buy it for *some other reason*, and you might even lose him as a buyer if you keep constantly yapping to him about your stone wall and *your* fireplace.

He might be considering your property because it is located close to a school of his choice — or close to a golf course — or conversely because it is as far away as he can get from his wife's mother. At any rate, *location* holds the top spot in his mind and you should be giving him additional reasons for being satisfied with the location instead of cluttering up his thinking by trying to sell him a fireplace.

Or perhaps he has had a mess of neighborhood-trouble where he now lives . . . has had a scrap over sharing a driveway . . . or maybe the neighbors have some teen-age boys who every Sunday morning tune up a hot-rod under his bedroom window . . . or maybe his wife is nuts about flower-beds —

With the vast number of new houses on the market today, your salesmen need every sales technique they can find. Here are three techniques which, if skillfully applied, will make Mr. Prospect buy:

- 1) You must persuade him that he will gain an advantage he doesn't have now.
- 2) You must create a pleasant conversational climate.
- 3) You must make him feel that he should act at once.

What *Finally*

and his neighbors are nuts about dogs. He has his reasons for wanting *privacy* and he is drawn to your house because it is on a corner, with bedrooms and driveway on the avenue side. The nearest neighbor south of him is clear across the street, and the neighbor to the north can be blocked off by a six-foot fence or shrubbery — or both. Where does your fireplace and your stone wall fit into this picture?

You might well say, "The fireplace and the hand-cut stone wall are plus items." Right you are, and they probably will help you to make a sale if you think of them as plus items — but *not as the most important feature* of the house.

To this particular prospect, the orientation of this house to insure *privacy* is the most important feature. That's the thing this man must be satisfied about.

Three Things Make 'em Buy

I think there is a formula which you and I may use in order to make sure that they finally buy. I think that three things must take

place in the minds of all prospects before they finally buy. I'm going to tell you what they are — a little later on . . . and give you my reasons why.

Let's say you have a house that seems to qualify insofar as your prospect is concerned. It is a good house, well planned. You have good financing available — at least as good as anyone else can get. You have used the right advertising and publicity methods to get the attention of Mr. Prospect and now you have him before you.

Somewhere along the line here it would seem that a sale should be made. All we need to do now is decide what it is that finally makes him buy and then do something about it.

I have said that *three* things must take place in his mind before he will finally buy. He must make *three* decisions as to his own personal satisfaction. He reaches these decisions sometimes with the help of a *good salesman*. Only rarely is he able to arrive at these decisions when he is faced with the *confusion of poor salesmanship*.

What's The First Decision?

Let's talk about Decision No. 1. All of us who are experienced in selling know that you cannot sell any one anything until he is convinced that if he buys what you have to sell, he will gain an advantage he does not have now. That's an old observation, but a good one. That is why every single item on the sales market today is advertised and publicized as offering certain benefits or advantages.

... close to a golf course



... far from the mother-in-law





...an advantage he doesn't now have

...no emotional storms brewing



...make him want to act now

Makes 'em Buy?

By SAM G. RUSSELL
Burns Realty & Trust Co.
Denver

"This car is easier riding." "This one is more economical." "This shirt can be washed and worn without ironing." "This cigarette protects your throat." "This oil is of detergent type and keeps your motor cleaner." "This shoe makes your feet feel better." See how it works? If you buy this item you will be better off than you are now.

The fellow who buys your house has to feel that way, too . . . or there just isn't any sale. He must be satisfied that he will gain an advantage, and when he is personally satisfied that he will gain an advantage he has made Decision No. 1. However, let's remember — and never forget — that the advantage must be *the one he is seeking* — not the one we thoughtlessly are trying to force on him.

We must be sure that we are helping him to get what he wants — from his point of view. If the advantage he is seeking is location — or if it is privacy, let's set out to convince him *that is what he is going to get!* Let's do that, even though we sure would like to talk about that hand-cut stone wall and fireplace.

Let's not get so wrapped up in what we think is important that we lose sight of what the other person thinks is important.

Mrs. Russell came home a month or so ago with something she described as a hat. It didn't look like much to me.

I said, "I wouldn't know why you would want a thing like that."

She said, "I'll tell you why. I wouldn't expect you to say it, but three other people who have seen

me in this hat have said that when I put it on I look ten years younger."

You see, she didn't want a hat — she wanted to look ten years younger. I talked her out of it, though. I said, "My dear, anything that makes you look ten years younger when you put it on . . . will make you look ten years older when you take it off."

The person who sold her that hat had worked on the premise that most any woman would like to look younger. I got her to take it back on the premise that no woman would ever want to do anything that would make her look older. The hat itself was only a product — just as a house is a product. The important thing is what it will do for you.

Well, anyway, let's put down the first reason why the prospect finally buys. *Because he is satisfied he will gain an advantage which he doesn't have now.*

Sales Climate

Number 2 is something else again. It has to do with the condition of the *conversational climate*. Climate, in the common sense of the word, refers to atmospheric conditions.

There are atmospheric conditions in normal selling conversations — conditions that change from time to time — just as there are atmospheric changes in the weather. And it is possible to make a pretty accurate forecast as to what changes are in the offing that will affect the conversational cli-

mate — just as we are able to forecast the atmospheric climate.

It is very easy to brew up quite a storm in most any peaceful conversation by being *inadvertently obnoxious* by chance remarks. Let's say you are talking to the fellow who has the neighbor trouble — the man who was seeking a home with privacy. Let's imagine that you had stopped talking long enough to find out from him that he was fed up with the neighbors and wanted no part of them. *What should you say?*

If you say, "I know just how you feel. I have had a taste of that sort of problem myself — still have it, as a matter of fact. You are wiser than I — you've made up your mind to move away from it — and that is no doubt the best answer of all. You evidently make your own decisions, and then do something about it. That kind of a man is always ahead of the indecisive, wishy-washy person."

If you said that, the only change in the weather would be to make it a better day. First of all, Mr. Prospect found someone who agreed with him whole-heartedly — who understood his problem. Secondly, Mr. Prospect had just been called a *man of decision*. Not indecisive, wishy-washy, but the kind of a fellow who knows how to make up his mind. Who wouldn't like that kind of conversational climate? He's probably thinking, "By golly, I'll buy this house and show 'em who's who. No reason to dilly-dally about making this decision."

A good salesman could easily

forecast the weather in such a conversational climate.

A Way To Brew Up A Storm

But suppose we see what some other so-called salesman comes up with when Mr. Prospect says he is fed up with neighbors and wants no part of them. This individual replies something like this:

"Whatssa matter? You anti-social? Neighbors ain't so bad, once you get to know them. I got a brother-in-law who's always beefin' about his neighbors. He's always talkin' about what he doesn't like about his neighbors. Well, let me tell you something. They don't like him, either. The way I see it, it's like marriage. You've got to give a little — and you've got to take a little. That's what I always say."

I'm sure all of us can make a fairly accurate forecast of the conversational climate from now on. First of all, while the salesman's little editorial boiled down to "Give a Little — Take a Little," that wasn't the way Mr. Prospect heard it. What he heard was this:

"You're anti-social. You must be accusing your neighbors unjustly — and besides, nobody likes you, anyway."

And probably, while no blows will be struck, it is fairly safe to predict that the conversational climate has become very distasteful to Mr. Prospect, and no matter how many advantages he might gain by buying this house — he isn't going to buy it.

He isn't thinking about advantages now. *He's thinking he doesn't like it here.* Just like he had decided to move away from his neighbors — he has now decided to move away from this salesman. He wouldn't buy anything from this unpleasant individual — no matter what he might be selling.

You see, Mr. Prospect had already been told by his wife that he ought to learn to Give a Little — Take a Little. He wasn't looking for someone to agree with her that he was wrong; he was looking for someone to agree with him that he was right.

I wonder how many sales are lost because of what is said when Mr. Prospect asks this question: "What down-payment is required on this house?"

Salesman A says, "\$4,500." and stops right there.

Salesman B says, "How much you got?"

Salesman C says, "Well, we

didn't get as high a loan as we should have. These darn banks don't see eye to eye with us on what this house is worth. It's going to take at least \$4,500."

Salesman D says, "It all depends on you. If you want to pay quite a bit down — and have real small monthly payments — you can do that. If you'd rather pay a smaller down payment — and larger monthly payments — you can do that. Just now we have a commitment on one type of loan that requires \$4,500 down. I think a lot depends on what you want to do. Let's write it down here the way you would like to work it out."

There you had four salesman, and four conversational climates. The first fellow said, "\$4,500." and dared you to take it from there. The second fellow rudely asks, "How much you got?" There really are salesmen like this. If they don't make the prospect sore in the first place, they at least make him distrustful, because he is bound to resent that type of questioning as to his personal affairs.

The third fellow was trying to handle the question in a conversational manner — which is as it should be — but he was already making apologies for the size of the loan and eagerly pointing out that the bank and the builder didn't agree as to the value of the home.

The last man gave practically the same answer as the first man. He will get a willing answer to the blunt question asked by the second man. And he softened the blow as to the size of the commitment without raising any question as to the value of the house. All of his remarks were good, *because they are a part of the system of salesmanship.*

But most important of all, the conversational climate was not being impaired. In fact, it was being improved. Listen to this last sentence: "Let's write it down here the way you would like to work it out."

That's an effective closing if I've ever heard one. It implies that the decision to buy has been made. It's just a case now of working out the financing.

So now we've got two reasons why he finally buys. First, because he is satisfied he will gain an advantage, and secondly, *because he is satisfied with the conversational climate.* Everything is

calm and collected. He is not worried about defending himself from high-pressure selling. He is not upset by remarks and observations that are in any way distasteful. This salesman is a nice guy, pleasant company, real helpful. He is satisfied with the conversational climate.

Why Will Mr. Prospect Act?

There's just one more decision now for him to make before he finally buys. It's the action reason — and here it is: *He must be satisfied that he must act now for his own best interests.* It isn't sufficient that you are trying to convince him that he must act now because you want him to. He doesn't care about your problems — or what you want. He has to be satisfied that the best thing for him to do is act now.

It is easy to analyze this situation within yourself. Stop and think a minute about the times you have put off buying something — and because of that, never bought it at all. How many television sets did you expose yourself to before you finally bought one? How many makes of automobiles?

The fellow who is looking at houses is in the same boat. *He is just trying to make up his mind.* He is no doubt satisfied that there are benefits — he is probably happy with the conversational climate. But he just thinks he ought to wait a little while — maybe put it off for a day or two.

Why does he feel he should wait a little while? Because *he is not of the opinion that he has to act now* — in his own best interests.

There is always the observation that someone else will buy this house while he is thinking it over. It is effective if there really is that possibility. Your sincerity shows through when you really feel that such a thing might happen. But you have to be a good actor if you make a statement like this and you don't believe in yourself. Mr. Prospect can read you like a book — and you may find that you have dropped the barometer on your conversational climate.

It is usually much better to ask about things that might mean the saving of time or money. Is there any advantage to quick possession? Could you save another month's rent, if we hurried the final closing along? Do you want to be in before school starts?

(Please turn to page 41)

Pontchartrain Park was successfully promoted before a single one of the 1,000 houses was started. The New Orleans builder handled the promotion from a display area in his office. The exhibit included house models, mock-up kitchens, cut-away sections showing construction details, products and equipment offered, plot layouts.



One of the displays in the Pontchartrain sales building showing a scale model and floor plans of Crawford Homes offered. Display also includes financing information.

Cut-away corner shows construction of the homes. Buyer has choice of asphalt tile or oak block flooring. Entire promotion was carried out in the sales office.



Case Study of a Minority Housing Promotion

Promote a Subdivision from your Office

PONTCHARTRAIN PARK Homes, Inc., headed by Edgar B. Stern, has met the demand for minority housing in New Orleans in a big way. They are building 1,000 homes in Pontchartrain Park ranging in price from \$9,800 to \$25,000 including lots. And they did a large share of the promotion — including exhibits of house models and equipment — right from their office.

To announce their subdivision, 100 minority leaders and representatives of press, radio and television were assembled for a preview of the project at the company's exhibition and sales building.

The group inspected a \$20,000 display area in the sales office including a gallery of color illustrations of the homes to be built, a large model of the subdivision and park layout, scale models, color guides, materials, a cut-away construction corner and various kitchen and laundry appliances.

Lots in the project average 58

feet by 110 feet, with some having 90-foot fronts. The area is within 20 minutes of downtown New Orleans by public transportation. A school site to serve the area has already been chosen and land has been set aside for a shopping center.

The architecture of the houses is contemporary in design with low, sweeping roof lines, open planning and indoor-outdoor living features. Buyers have a choice of exterior finishes including brick, cedar shakes, vertical and horizontal wood siding, asbestos siding, and combinations of these materials.

Increasing the salability of the houses, such features as Philippine mahogany interior doors, Formica counter tops, combination baths and showers, electric bath heaters, abundant closet and outside storage space, were included. Optional items, which could be included in the FHA mortgage, were air conditioning, attic fans, ceramic tile baths, and Hotpoint kitchen and laundry appliances.



Model of the subdivision. Homesites completely surround an 18 hole golf course. Land has also been allotted for school and shopping center to serve area.

Appliances are displayed in simulated kitchen of the project homes. Refrigerator, built-in dishwasher and range are by Hotpoint. Notice sliding glass doors on the cupboards.



What is Your Level of **SALESMANSHIP?**

By C. L. LAPP, Ph.D.
Professor of Marketing, Washington University
and Sales Management Consultant

**Ask home owners what
they think of the average real
estate salesman and the replies
will amaze you. Our author did
just that, and the caustic com-
ments he received burn pretty
deeply into any complacency
that exists about the big job
ahead in professionalizing the
real estate industry**

TOO many real estate salesmen are not doing an effective job of selling. This should not be interpreted as suggestive that real estate salesmen are poorer than salesmen in other fields. Not at all. Both the buyer and seller of property, however, expect a real estate salesman to be more of a professional than salesmen in other fields. Every real estate salesman should take a good long look at himself.

A survey of real estate buyers and sellers shows that twelve shortcomings limit the success of far too many real estate salesmen. Salesmen can be categorized by four levels of effectiveness — expiring, perspiring, aspiring, and inspiring.

Expiring Level

The Expiring Level is typified by those people who go into real estate and never make enough sales to succeed. Such salesmen fail because certain basic fundamentals of success are ignored.

They don't believe in selling their company or their superiors. Many take the job as a stop-gap, rather than as a career. Buyers and sellers alike in the survey say such real estate salesmen fail to impress them because they act and talk about what they are doing as if it were a "game" or "racket." In fact, many salesmen fail to see they are performing a worthwhile service for buyers or sellers.

Some people who have dealt with real estate salesmen say, "The trouble isn't with the salesmen, it lies with those who manage the real estate offices and control the real estate businesses." Close examination shows the main reason for this is that real estate salesmen do not support their superiors. Too frequently salesmen will agree with their clients rather than try to prove their superiors right.

A second retardant to success is lack of energy and willingness to put in enough working hours to make a living. Such salesmen "diddle away" golden opportunities for helping buyers or sellers by lying in bed in the morning, dawdling over a mid-morning or mid-afternoon cup of coffee, or being unwilling to show properties in the evening when the prospects have the time to look for what they want. A few salesmen, it was related, spend too much time talking about their own aches and pains.

Salesmen were criticized for poor appearance. Women salespeople came in for less criticism on this



than men. Real estate salesmen probably never make or lose a sale because of shaggy hair, unshaved faces, dirty shirts, unpressed suits, stained teeth, sport shirts, fraternal pins, or unshined shoes. But a group of such little things may make a big difference in the impression made on prospective buyers or sellers.

A fourth factor is insincerity and undependability. Many real estate salespeople, it seems, feel because they are salesmen, it is their prerogative to make misleading statements, over-statements, or to bluff when they don't know the answers to questions that are asked of them.

In our survey, we asked, "Whose interest do real estate people try to satisfy or protect?"

Neither Buyer or Seller.....	41.5%
Both Buyer and Seller.....	35.3%
Seller's Only.....	4.4%
Buyer's Only.....	0.0%
No Opinion.....	8.8%

Here are typical comments:

"They make promises they don't keep — especially if such promises are not in writing."

"About the only thing realty salesmen are inter-

ested in is their commission and keeping it as high as possible."

"In my opinion agents should use their knowledge to aid, satisfy, protect, and assist as well as instruct their clients in the selling of their homes and property. I feel the majority, however, are interested solely in their commissions, and are willing more or less to cheat and even lie to make a sale."

"Most salesmen represent the seller . . . the buyer is at their mercy unless he knows construction and where most faults occur in building."

Here are answers to, "How often do real estate salesmen reveal the faults of a house as well as emphasizing the desirable features?"

Almost never.....	67.4%
Less than half the time.....	15.2%
About half the time.....	8.7%
More than half the time.....	2.2%
Almost always.....	5.4%
No opinion.....	1.1%

Here are answers to, "How often do you think you can place faith in real estate representatives to pro-

(Please turn to page 30)



Picture windows at the rear of the house provide a perfect frame for the changing scene. Use of glass also provides plenty of light and adds to the cheerfulness of the room inside.

The measure of salability is

livability

In the rush of today's housing boom, it's easy to overlook many of the intangibles that can sell your houses. Here's a house which shows the painstaking efforts of the designer to include as many of these "livability" selling features as possible.



Driveway and front entrance angle between spreading wings of the house. Doorway inside garage leads to service porch and inside entrance to utility room.



Almost all of the kitchen, living room-study wall is glass. This gives the house the open, roomy atmosphere essential to relaxed living.



WHEN you plan a project of 20, 30 or a 100 houses at a time, it's vitally important to recognize that you're building houses for people to live in. Your houses will be salable to the degree that they're livable. And it's the intangibles more than the physical aspects that really make them livable.

Modern-day home buyers are interested in products, materials and equipment. They are learning more all the time about siding and wiring and plumbing fixtures and convenient floor plans. They're getting smarter, as every alert real estate executive knows.

But when your salesmen sell the houses which you or your client builders put up, they must sell convenience, comfort, view, privacy, security — all the intangibles that make a home the one most important and rewarding purchase a man can make.

Take "privacy," for example. The people looking at this home will recognize that a well-planned hallway can make passage from one part of the house to another a simple matter. No need to pass through the living room going from the bedroom to the bath.

The study that has been included in this floor plan provides that essential "extra" space that home buyers demand. The growing family needs assurance that there will be adequate space, for the children or guests or for the kind of peaceful retreat all of us need once in a while.

A builder who eliminates storage space every time he worries about his construction costs has lost sight of the connection between salability and livability. Kitchens can be loaded down with gadgets and gimmicks, but if they lack storage space for pots, pans and dishes they won't impress an American housewife.

Kitchens, like this one, are designed to provide maximum efficiency, adequate space and light, and a place to put things. Figure your costs, the number of board feet, the brand names of the range and refrigerator, the nearness of the kitchen to the other rooms of the house. But while you're planning, while you're building, and while you're selling, never forget why the kitchen is there.

The builder of this house remembered all these things, and built a house to be lived in.

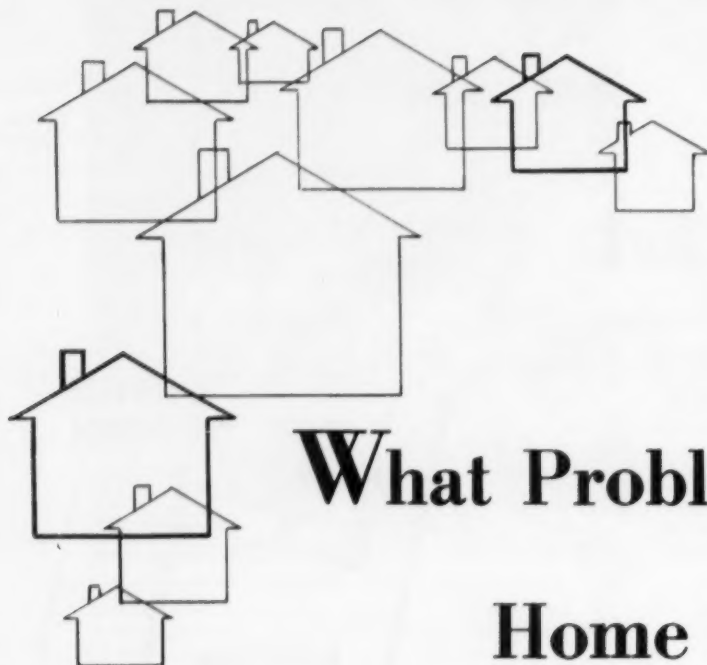
PHOTOGRAPHS BY RUDOLPH EDWARD LEPPERT, JR.



Den or study provides extra space which today's buyers demand. Double faced wall provides extra space for books; built-in cabinet is for a phonograph.

Kitchen is set apart from dining area by a storage counter and a hanging bank of cupboards. Partial walls also increase privacy without complete separation.





What Problems Do Home Builders Face?

THERE is much talk about the great problems of the housing and real estate industry. So much talk, in fact, that it is difficult to see clearly what the problems are and how they concern individual home builders and real estate men. The JOURNAL presents here a picture of the problems of one city — Wichita — with the conviction that none of us can really understand the national situation until we can look closely at a local situation.

Surveyed for this article were more than 60 real estate men, home builders, developers, banks and savings and loans, the Chamber of Commerce, and others. Opinions were voiced by men who have been active in Wichita all their lives, and by others who have been there only two or three years. Some men were mass speculative builders, others custom builders, some the heads of elaborate real estate organizations, others who are brokers operating one-man offices.

Because of its phenomenal growth since 1940,

Wichita presents many problems that are common to other cities, but that are more critical or exaggerated in Wichita itself. But for the most part we think these specific problems are similar to those you face in *your* city.

Wichita, Kansas has almost doubled its population since 1940 (to its present 216,000). A major center of airplane manufacture, Wichita has 82 industries employing more than 50 persons each, in areas such as oil production and refining, meat packing, flour milling, furnaces and air conditioning and so on.

In Greater Wichita, which includes 65,000 people in addition to the population of the central city, there have been more than 17,000 homes built since 1950, with an estimated 5,500 scheduled for construction this year.

Wichita has approximately 160 acres of suitable development land left within the city limits, and builders and real estate men indicate that a serious land problem is facing the city.

There are three major problems in the Wichita housing situation, each one related to the others.

Sixty-two percent of those surveyed in Wichita cited one kind of financing problem or another as of prime importance either right now or in the immediate future.

PROBLEM NO. 1

FINANCING

There is a growing shortage of mortgage money, and there seems to be little prospect of improvement. Some builders point to the low downpayment as the really tough nut to crack, which indicates that small volume builders aiming at the lower price ranges are going to have trouble competing.

Another financing problem is centered in the processing of FHA and VA loans. Bottlenecks of one kind or another, or just plain slowness, seem to be more than just annoying. Some indicate by their comments on the financing situation that they have been depending too heavily on easy financing to sell houses.

In price range, there are two really active areas — from \$12-\$16,000 and from \$20-\$24,000. Few builders are trying to build in the \$9,000 and \$10,000 bracket, and these figures point to the second major difficulty facing Wichita builders.

UTILITIES

Sixty-one percent of those the JOURNAL surveyed named utilities or the availability of improved land as a major problem. More than a third of Wichita's non-Realtor home builders have no land to build on, and of the two-thirds that do many have either too little land or land that lacks some or all utilities.

The cost of land in Wichita is indicated by the average minimum lot size and average cost of such a lot. The average lot minimum is about 55 x 110 and costs between \$800 and \$1,200. Many home builders point out the wide range of lot sizes and costs in the price ranges they build in, with homes over \$20,000 usually requiring somewhere between 75 and 90 foot frontage and costing anywhere from \$2,000 and up, depending on the quality of the neighborhood.

With the high cost of utilities installation, land costs are a serious factor for home builders to contend with. It has pushed many builders into higher price ranges, leaving the lower price ranges to those builders with access to adequate financing and considerable land. The continued high rate of starts shows as well that the demand is far from satisfied for houses in all price ranges.

JOURNAL case-study of Wichita, Kansas shows that financing, land development and sales are the three biggest problems both now and in the near future. Rapid growth and big housing production create serious strains on available land, utilities, mortgage money. Typical of many "boom" cities, Wichita faces the same problems most cities are up against.

PROBLEM NO. 3

SALES

Both real estate men and builders without real estate departments point to increasing public demand for better quality, and larger homes. There is a growing sales resistance among home buyers, and competition is increasing right along with it.

The best-selling houses, according to Wichita builders and real estate men, have three bedrooms and average about 1,100 square feet, many builders mentioning extra bathroom space or garage as standard equipment in the homes they build.

Many real estate firms are actively developing land for client builders in Wichita. Real estate companies either own land outright or hold options on land suitable for residential development. Large-volume builders seem to have sufficient land; small-volume builders seem to have either too little land or land that is unimproved.

Much of the solution to the problems outlined here involves people and agencies and organizations outside real estate and home building.

For example, the Wichita Water Company distributes the water, but the city government provides the supply as a sort of wholesaler. Natural gas is supplied by the Gas Service Company and the Consolidated Gas Company. Bus transportation is supplied by the Wichita Transportation Company, and the Kansas Gas and Electric Company supplies electricity.

Sewer service is provided by the city, and to big industries and some residences outside the city (on a charge basis).

Extension of utilities, shared cost of community facilities such as schools, roads and streets and so on, are basic problems facing the great majority of Wichita home builders. But even a brief examination reveals that only by cooperative effort can these problems be solved. — which is not true of Wichita alone.

Asked what are the biggest problems to be faced now and in the next few years, Wichita real estate men and home builders gave answers like these:

"Finding suitable land sites and enough mortgage money . . . keeping the public interested in buying new houses."

"Increased competition and the scarcity of mortgage money."

"Rapid expansion of the city in all directions has greatly increased land cost."

"First, the uncertainty of adequate financing. Second, the uncertainty of adequate sewers and utilities. Third, the lack of land — adjacent to the city — at reasonable prices."

"Probably the loan market will be the most

important and difficult problem."

"Finding buyers to purchase all the 'sub-standard' homes many builders are erecting . . ."

"Whether the city can annex sufficient acreage."

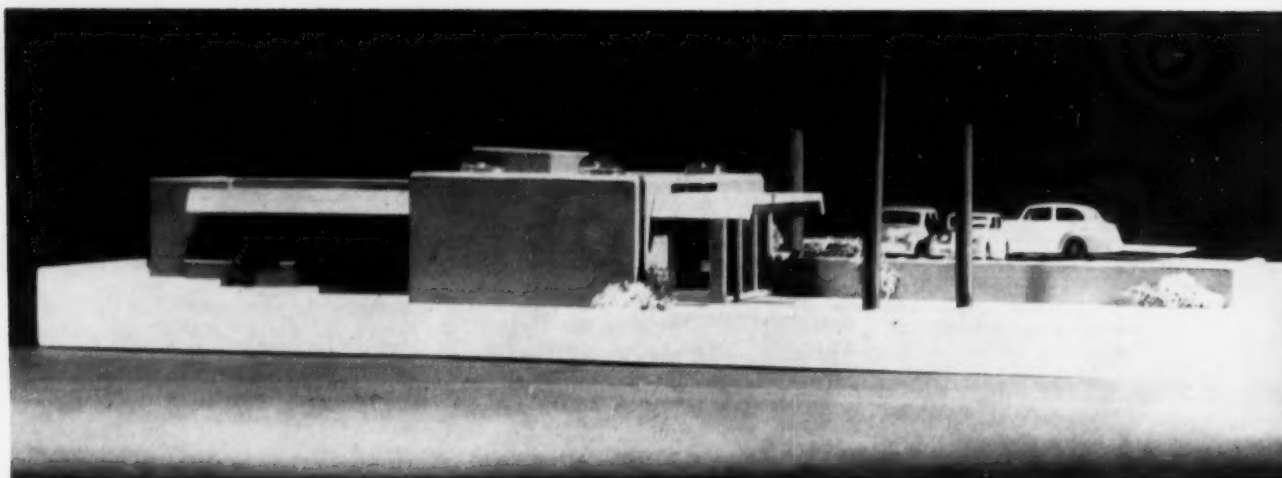
"FHA bottlenecks account for nearly 100% of our troubles."

"Poor subdivision planning, not enough lots in readily acceptable areas, and land that should be developed in average-sized houses is being developed in larger houses. Some good land is available, but without utilities."

"Discount financing."

"We lack an ample water supply for the entire city."

"FHA and GI financing for suburban tracts..."



Architect's model of new Marquette Real Estate Co. offices, shows full side view of the new building, its large glass areas and attractive design. Note the new-type skylights.

New Office Puts Convenience First

This Peoria Realtor offers his own modern, air conditioned office building. It has off-street parking and dramatic photo gallery that prominently displays his homes so they can be easily seen from a distance.

NEW offices of the Marquette Real Estate Company in Peoria, Illinois stress convenience and comfort for the client. Of striking design, the building features an attractive photo gallery, air conditioning and its own off-street parking area.

Set well back from the street, the office's photo gallery is a real attention-getter for passersby. The display is easily seen from the street, and the "Home For Sale" across the top of the display is clearly visible. Large 8 x 10 photographs are used to better display the homes for sale. And it helps get across

Level of Salesmanship?

(Continued from page 25)

protect your legal interests in transactions?"

Almost never	19.6%
Less than half the time	4.3%
About half the time	18.5%
More than half the time	7.6%
Almost always	46.7%
No opinion	2.2%

Real estate salesmen should make an ardent attempt to make buyers and sellers alike feel that they can always be depended upon to represent them.

Perspiring Level

This level is typified by salesmen who work hard but do not necessarily work right. Such salesmen reach a level of mediocrity but certain weaknesses keep them from being outstanding.

One shortcoming is lack of knowledge of building

construction, contract terms, and specific information about the area where properties are located.

For example, the following answers were given to, "What is your opinion as to the number of real estate men who display a good working knowledge of building construction, materials and terms of sale?"

Very few	47.6%
About half	32.2%
Most	13.1%
No opinion	7.1%

Further proof is shown by answers to the question, "Are salesmen able to answer all reasonable questions about the house, neighborhood, zoning restrictions, nearby schools, transportations, churches, shopping centers, downpayment, monthly payments, taxes and other expenses?"

Almost never	19.0%
Less than half the time	16.7%
About half the time	27.4%
More than half the time	9.5%



Photo gallery is illuminated at night, so that the distinctive display of homes can be seen at any hour. It also accents the modern design and open plan of the building.



Marquette Real Estate Co. office from the street centers the attention of prospects on photo gallery. Off-street parking along one side of the building backs up company's stress on convenience.

the idea of quality, professional service.

The gallery is well-lighted at night, and the building itself is floodlighted.

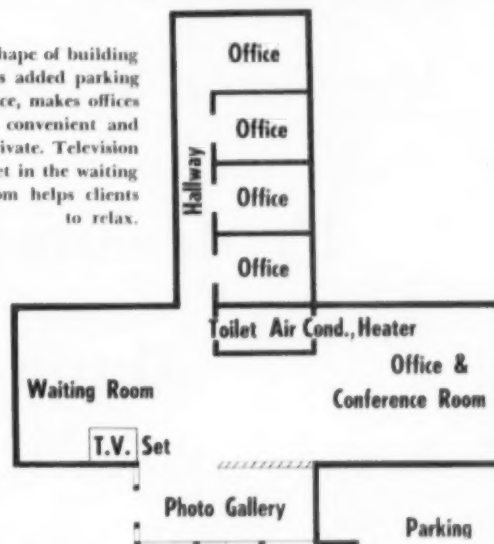
The parking lot adjacent to the building is above the ground level of the building, and an attractive sign has been placed on the retaining wall. The company name can be seen from the street without hanging an expensive and gaudy sign outside.

Two big trees in front of the building were carefully preserved, adding to the "home" atmosphere the company wants to emphasize. Marquette is the only Peoria office "owning its own home."

The building has a brick exterior, and free use is made of brick on the interior. It has large glass areas and special skylights for natural lighting.

Marquette Real Estate Company is owned by Orville W. Krieger, and is staffed by a sales manager and seven salesmen.

T-shape of building gives added parking space, makes offices convenient and private. Television set in the waiting room helps clients to relax.



Almost always 26.2%

No opinion 1.2%

Salesmen should be better briefed on properties before they attempt to sell them to prospective buyers.

Another fault of Perspiring Salesmen is their disorganized selling effort. Some buyers and sellers feel that salesmen give them so much attention that they make nuisances of themselves, while others feel they are given so little attention they are neglected. Most real estate salesmen seem to be punctual in keeping appointments. But 41.6% respondents feel that appointments are not always kept as they should be.

Use of bad selling techniques keeps some real estate salesmen at a Perspiring Level of mediocrity. Some buyers felt salesmen talked too fast or too slow. Others cited examples of high pressuring them by scare talk — that if they didn't buy right now the price would soon go up. Or in answering some objection they would say, "What do you expect for

what you have to pay?" or, "If you don't like this arrangement, just knock out the wall," or "make another bathroom, it won't cost very much." Real estate representatives were criticized because they talked in terms of so many square feet in a house when buyers were much more interested in the arrangement of a house.

A complaint too frequently cited was a poor attitude on the part of too many real estate salesmen. Selected comments relative to this point were of the following. A typical comment is,

"Too many real estate salesmen act superior — have a snobbish attitude and treat you as if you are dumb if you don't care for the listings they show you."

Aspiring Level

If salesmen overcome these shortcomings they will reach a level of selling which might be termed the Aspiring Level. Many such aspiring level salesmen

(Please turn to page 35)

FROM all indications the home building pace will continue at a rapid rate indefinitely. And the choice of houses available to the young couple seeking a home today is almost unbelievable.

Just what effect will this high building rate have on the rental housing market? How is it affecting the attitude of property owners toward professional property managers?

To find the answers, JOURNAL editors made a spot check of property managers in nine cities. Eight of these property managers report increases in vacancy percentages ranging from "slightly" to "10% off" for the same period last year. Only one, William H. Allen of the Adams-Cates Company in Atlanta, reports about the same vacancy percentage as a year ago.

Compared with five years ago, all nine property managers report

are increasing in certain cities, one benefit to property managers from the building boom is a renewed interest in the professional property manager on the part of property owners. Five of the property managers interviewed report such a renewed interest.

For example, W. Roy Campbell of Huntington, West Virginia, says, "Quite a few owners are getting worried because they can't keep good tenants all the time. Also the building boom leaves older houses for rent, most of which are changed into more living units."

Brady says, "Owners' attitudes toward professional management is increasingly respectful as evidenced by calls from owners about rentals, rental rates and collections and calls of inquiry about management contracts." Beckwith says, "Government financing of

Boom conditions in new housing construction offer the professional property manager a chance to really go after new accounts. Keyes Company has an intensive campaign of newspaper and direct mail advertising plus personal solicitation.

Brady says a property manager can best get his story across to the property owner by 1) publicity about professional management activities and policies, 2) sales to new property owners, 3) good service to present clients, 4) promotion of new properties, and 5) advertising.

Campbell tells his story to the property owner this way: "The professional manager is better qualified, and he is in a stronger and much better position to get more rent and a better tenant. The collection fee is small compared to the service the owner gets. We are equipped to render immediate service on all calls, thereby saving the owner the worry, trouble, and cost of having small things done that are necessary without being disturbed."

Here is Allen's approach: "Results speak better than words. We use complete operating statements reflecting controlled costs. We show how buildings are maintained in top condition and back this up with facts about the small turnover of tenants and minimum vacancies."

He says efficient management is the best method of advertising, but he also runs occasional ads in newspapers for homes when he cannot meet the demands of prospective tenants.

With rising vacancies there is a temptation for property owners to be less careful in selecting tenants. However, the professional property manager realizes that tenant selection must be done properly to protect the value of the buildings he manages.

Campbell delves deeply into the tenant's background. He screens applicants closely and always uses a carefully prepared lease and lets his tenants understand they must do the things spelled out in the lease in order to stay in the property.

Another property manager cites these factors as basic on the application: Personal financial status, record of charge accounts, past employment, and past places of rental. He then investigates each of these items carefully.

Benedict requires references from his tenant applicants. The

More Owners Are Receptive To

Professional Management

an increase ranging from a slight increase to six times as great. Here are typical replies:

A. T. Beckwith — "Vacancies in Greater Miami were determined by survey in September, 1954 to be 30%. (The survey was conducted by the FHA Atlanta office and also by a poll of members of the Greater Miami Apartment Owners Association.) Comments from Association members and professional management representatives would indicate this season is about 10% off the same period last year. However, our own buildings (Keyes Company) are for the most part doing much better."

F. B. Brady, Jr., Kansas City, Missouri — "There is a small percentage of vacancy now, the extent of which has not been determined for the whole metropolitan area, and we are plagued by an increasing turnover."

Although vacancy percentages

homes (project development) through FHA and VA is making serious inroads into income from apartment properties, particularly outlying buildings. It is more prevalent with two-bedroom apartment units than any other type. I personally believe that this situation will result in more properties to manage by professional companies because owners, in some cases, will be seeking efficient operation without the headaches of constant vacancies."

Managers in Dayton have not yet felt this renewed interest. W. E. Bohlender says, "There are not sufficient vacancies yet to impress owners with the advantage of professional management, except in large apartment projects."

Allen says the same is true in Atlanta, and D. J. Benedict of Madison, Wisconsin, says that the home building boom has not affected property owners' attitudes toward professional managers.

other managers interviewed follow pretty much the same procedure. They all point out that a great deal of good judgment is required in selecting proper tenants.

Another beneficial effect of the housing boom is intensified modernization activity in apartment buildings and other properties. In cities where competition has been great for the past few years, good maintenance practices and modernization have been high on the list of managers' activities. For example, Adams-Cates Company continually sells its landlords on the idea of keeping their properties in good condition. They inspect all managed properties periodically and make recommendations to owners.

Brady stresses that property maintenance and modernization is the major part of property management activity.

Sufficient maintenance to protect the property is Bohlender's policy — especially building exteriors and plumbing. He also recommends modernization of heating systems — converting to gas

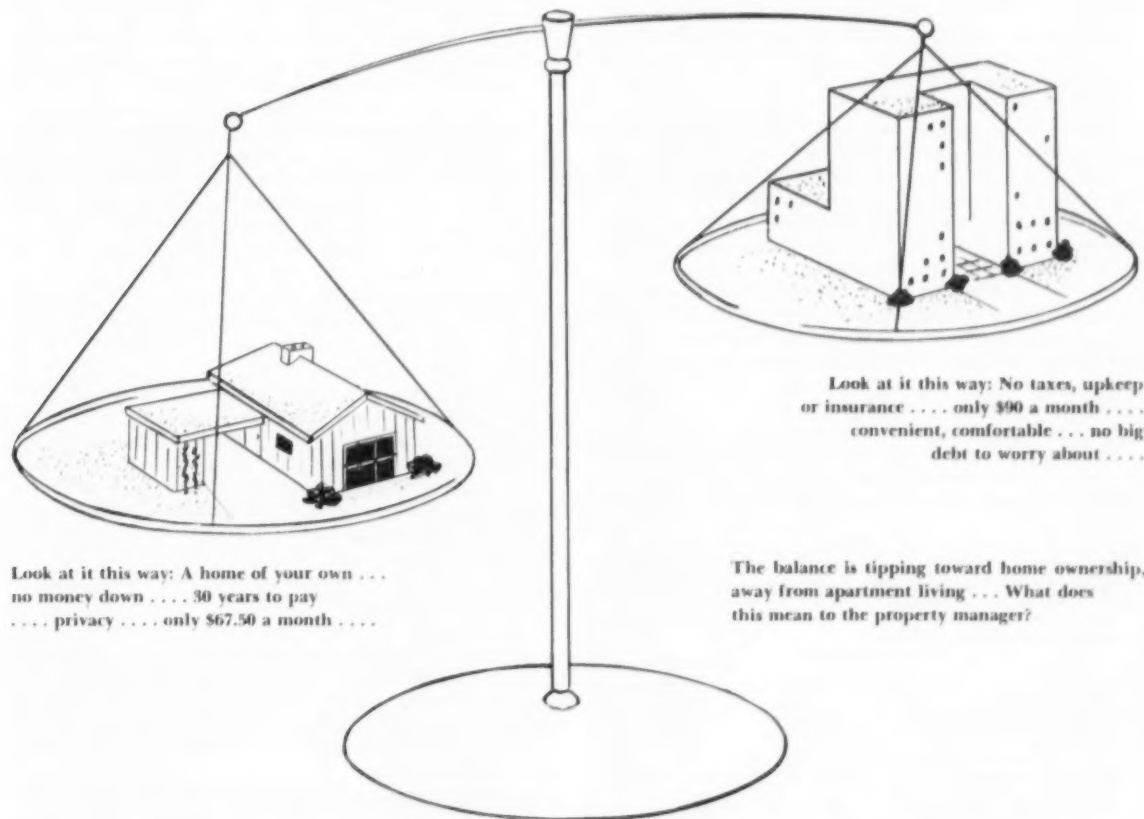
In many cities the rapid pace of new home construction is cause for alarm among apartment house managers. Vacancy percentage is on the increase in these cities. But the one good effect as far as property managers are concerned is the renewed interest among owners in the professional property manager.

or oil in most cases. Pointing up the soundness of his policy, Bohlender says, "Satisfied clients have recommended us for all their business last year. The only business we have lost has been through sale of property, which were then managed by the owners."

Modernization, however, is not just a magical process by which the vacancy rate of an apartment building can be reduced to zero. As Beckwith says, "We believe in proper maintenance and improvements in keeping with the income,

not only in an effort to increase rents but to protect existing revenue. In other words, we strive to meet the competition of similar offerings in the area of the subject property." Thus, a modernization project must be launched after careful analysis of the competition and the possible revenue increase.

Campbell points out that he has not stressed property maintenance and modernization in the last few years, "but the time has come that we must put maintenance to the front and modernize as well."



Is Conventional Financing

Your Best Bet?

By CHARLES W. WATSON*
President, Peerless Federal Savings
and Loan Association
Chicago

The conventional loan is very much alive, says the author, but builders often fail to see how much more valuable it can be for them and for their customers. With the mortgage market getting tighter, it's wise to take a fresh look at conventional loans.

CONVENTIONAL loans, as many builders seem to think, are not dead. In fact, we in the savings and loan business think they are very much alive. We have been the champions of conventional loans in the residential field and we will continue our efforts to sell them to the public.

The best way to promote thrift and home ownership is through free enterprise without government insurance, aid, or interference.

The FHA, in 1934, was to be an auxiliary of the private mortgage market to spread the risk and restore confidence in a then-demoralized mortgage market. Now, however, the FHA has become an instrument of government policy. The agency determines value, judges credit, and assumes the risk. This has been safe and profitable for lenders but they have merely become securities salesmen, doing work which could be done by government employees (such as has already been done in the direct loan program of the Veterans Administration).

We in the savings and loan business are not in favor of abdicating from the underwriting function of mortgage lending in favor of a government agency.

The government, through its various instrumentalities, practically took over the farm mortgage business in the 30's. This might also be a lesson to home builders who ask for easier credit, full guarantees, longer amortization, and lower interest rates. If the government should completely replace the private lender, it would only be a step before it would move

in on the private builder, telling him what kind of a house to build, where to build it, and at what price he could sell it. We do not want to see this happen to builders any more than we would want it to happen to us.

The number of owner-occupied American houses is spreading at the rate of more than a million a year and is expected to easily exceed 30 million by 1960. This will be roughly 60% of all dwelling units and the most essential requirement for the expansion of home ownership will be a smoothly operating supply of money to finance the home buyer.

At the end of 1954, FHA and VA accounted for 41.5% of the estimated \$75 billion mortgage debt on 1-4 family units. An estimated 27% of the total volume of mortgages recorded on properties under \$20,000 in 1954 were FHA or VA guaranteed or insured loans. Seventy-three percent of the total of \$22,300,000,000 worth of residential loans was in conventional loans.

In the five years from 1950 through 1954 the total recorded conventional loans have gone up from 66% to 73%, and from 1950 through 1953 from 49% to 61% on new construction.

Savings institutions place a greater share of their assets in home mortgage financing than any other financial institution investing in the home mortgage market. Approximately 83% of the assets of savings institutions is invested in home mortgages as compared with 16.7% by life insurance companies and 6.2% by commercial banks. Consequently, a savings association dollar is 14 times as effective as a commercial bank dollar and four times as effective as a life insurance dollar.

The housing industry relies for more than 60% of its capital upon in-and-out lenders and, therefore, is inevitably subjected to the uncertainties caused by periodic shortages of mortgage money. If the building construction industry had a constant flow of funds month in and month out, we believe that the dilemma would be solved.

Stability could be brought into the mortgage market if the financing done by savings associations could be increased from the present 38% to 60%. It is estimated that a 25% increase in savings in savings and loan associations would assure an ample supply

*Adapted from a speech presented at the NAHB convention in Chicago.

Here's an important point in selling home buyers on using conventional loans

	FHA	Conventional
Value	\$15,000	\$15,000
Downpayment	1,950	3,000
Term of payment	30 years	25 years
Interest	4½% plus ½% premium	5%
Monthly payment	360 @ \$70.08	300 @ \$70.20
Total amount paid over life of mortgage	\$25,228.80	\$21,060.00

For an additional investment of \$1,050 on the downpayment, the home buyer saves \$3,100 in interest.

of mortgage money. If the added funds were to come from life insurance companies, a 300% increase would be necessary or from commercial banks a 1,300% increase would be essential. (These proportions are based on the effectiveness of the mortgage assets in each of these two institutions.)

Since the prosperity of the housing industry is linked to the savings and loan business, anyone who is in any way connected with the construction industry should take an active interest in our associations and find ways to promote their growth.

We are certain that if builders carefully analyze their own requirements and those of their buyers, a conventional loan would fit their needs in many cases without governmental red tape or delays. As you well know, there is nothing more costly to a builder than delays and a lot of paper work.

Let me cite an example: Under the FHA schedule the loan ratio to a \$15,000 value (and there are not many new homes sold for less than that, at least in the area with which I am familiar) is 87%, and in higher valuations the ratio comes down on a sliding scale. However, the maximum loan to a merchant builder would be 85% of this figure or, roughly, \$11,000. Assuming that a savings and loan association came up with the same value, it could make a loan to the merchant builder of \$12,000.

You must also consider the customer. Taking our typical \$15,000 value house, assuming new construction, the owner-occupant can secure a loan of \$13,050 or 87% for 30 years with a downpayment of \$1,950. This will cost him for interest at 4½% and FHA premium at ½%, \$70.08 per month. On a basis

of 360 monthly payments he will pay back \$25,228.80 or a total of \$12,178.80 carrying charge or just a little less than the indebtedness itself.

Under a maximum conventional loan from a federal savings and loan association he could borrow 80% (assuming the same value) for 25 years or \$12,000 for \$70.20 per month for interest at 5% and principal. He would pay back to retire the indebtedness in 300 months a total of \$21,060 or \$9,060 for interest or a net saving of \$3,118.80. Of course he would have had to pay an additional downpayment of \$1,050. But for an additional investment of \$1,050 at the outset he would save \$3,100 in interest.

Let's look at it from a different angle. At the end of ten years under the FHA mortgage the unpaid balance would be \$10,611.75 or principal amortization of \$2,438.25 which, plus his original investment of \$1,950, would give him an equity of \$4,388.25 (assuming a constant value), or not quite 30% of the original value. Under the conventional mortgage at the same time the balance of the mortgage would be \$8,863 with principal amortization of \$3,137 which, added to his original equity of \$3,000, amounts to \$6,137 or over 40% of the original value.

It is our suggestion that you do a little more shopping than you have done in the past and discuss your plans with your local savings and loan manager. I believe he can be of service to you, give you much quicker action without red tape and a more flexible contract for your customer, containing all or some features such as package and open-end privileges, prepayment privileges, grace periods, graduated or drop interest rates, and contract modification features.

Level of Salesmanship?

(Continued from page 31)

still fail to reach the top, record-breaking level of selling effectiveness because there are still some things in their relationship with clients that are not given enough attention.

The failure on the part of some to give clients enough help limits the salesman's income. Following are answers of respondents to the question, "Of all the real estate men that you have had dealings with, how many of them would you say did their jobs entirely satisfactorily?"

None	8.6%
Very few	21.5%
About half	19.5%
Most	32.2%
All	15.1%
No opinion	3.2%

This indicates that about half the people were not satisfied.

Further answers to the question, "How often do real estate salesmen explain all the terms, clauses, conditions of a contract before asking for a signature?" show that too many are neglectful in this respect.

Almost never	31.2%
Less than half the time	15.0%
About half the time	14.0%
More than half the time	4.3%
Almost always	31.2%
No opinion	3.2%

Probably one of the biggest weaknesses is evident in the answers to the question, "How often as a buyer do you find that real estate salesmen try to match your needs and desires for property in respect to type, size, location, style and price range?"

Almost never	15.4%
Less than half the time	14.3%
About half the time	28.6%
More than half the time	9.9%
Almost always	29.7%
No opinion	2.2%

Typical comments concerning the lack of buyer consideration are:

"Will not make appointments with you at convenient times."

"Always in too much of a hurry to be of much help — then gets in a big hurry to close."

"They generally want to show you something you can't financially swing."

"Most real estate salesmen are more interested in just making a sale than satisfying a client."

"Real estate salesmen usually won't take care of details unless you force them to do so."

"No interest in people — seem to be superficially nice."

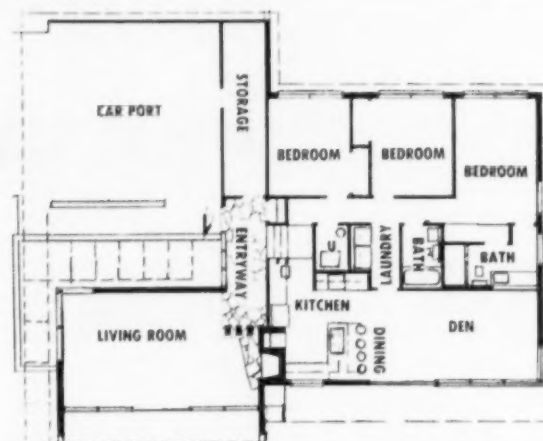
Another shortcoming of a few salesmen was their unwillingness to cooperate not only with the buyer but also with other Realtors, the seller, and their own staff.

Inspiring Level

A salesman, to reach the Inspiring Level, must be a professional in every way. He must recognize that the average man on the street has a low opinion of many realty salesmen, and then he must seek to disprove shortcomings such as are brought out in this survey. Then he must continually self-analyze, study, and practice — or pay the consequences. By seriously trying to improve himself, the realty salesman can gain real respect for himself and the industry as well as more income.

A Prize Winning Design

**Luxury Features, Moderate Price
Help This House Sell**



Floor plan shows overall utilization of space. Sliding doors in the living room lead to one of two patios. This gives the modern outdoor-living feeling.

TODAY'S "young moderns" want the luxuries of higher-priced houses in homes they can afford. Salt Lake City homebuilders Daley & Prows have fulfilled this demand with an NAHB prize winning house.

Selling in the \$19,000 price range, the "new look" house includes such luxury extras as split level design, built-in kitchen appliances and outdoor living areas.

"Oak Haven," as the house is called, also lends itself to future expansion. It is possible to add a double carport and two patios, one for a play area and one for entertaining guests. Also, unusual fencing arrangements can be added.

The house is built on a 75 x 120-foot lot and has 1,740 square feet of living space. One of the striking features is the utilization of space in the kitchen. A wide breakfast bar has a built-in range, with additional space for eating and working. A built-in Thermador oven and a recess for the refrigerator help conserve space.

Interior walls of lava block are left exposed to provide a decorative masonry feature, and it is a money saver for the buyer. The living room is beyond and below the main body of the house, and is dominated by a large fireplace. Aluminum-framed, glass sliding doors lead from the living room to the patio.

Up five shallow risers from the foyer is the main body of the house, composed of three bedrooms, two baths and a large dining-kitchen area. A multi-purpose room off the dining area can be used as a den, TV room or, furnished with a studio couch, as bedroom for overnight guests.



Flat roof design offers buyers the "new look" and more space for the money. This house has 1,740 square feet of living area and sells for \$19,000, plus lot.

The attractive kitchen provides both eating and working space. Breakfast bar, with built-in electric stove, is the outstanding feature. Hanging shelves provide storage.



Ownership

"UNDER ALL IS THE LAND"

A Public Relations Program to Stimulate
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Word-of-mouth Recommendations

From time to time leading Realtors have suggested the need for a program that would help them keep in closer contact with the key men and women of their community who are in a position to send business to them — a plan to activate old friendships and make new ones, to maintain goodwill, build prestige and enhance a reputation for leadership. To answer this need, National Real Estate and Building Journal now is making available an entirely new Public Relations program that does this job effectively. Sponsors are enthusiastic. OWNERSHIP Magazine tells the up-to-date real estate story interestingly and authentically to the influential people of your community. It concerns itself with all principal phases of a Realtor's activities — residential, commercial, industrial, financing, and insurance. The exclusive franchise for the use of OWNERSHIP is available to Realtors only, and will be awarded to only one qualified firm in each community. If you are interested in being considered for the exclusive franchise in your community, address your inquiry to

THE LAW SAYS!



How can a landlord cancel a month-to-month tenancy? Is it necessary for the cancellation notice to be in writing? Should a broker write into an exclusive listing contract the provision that commission "not exceed 5%"? Our legal editor says —

AN owner came into a real estate office to list his property for sale. The broker told him that the commission would be 5%, but the owner said that was too much. After a considerable discussion the broker said let's make it "not to exceed 5%," which the owner agreed to, and it was put in the exclusive in that way. After a deal had been closed the owner refused to pay more than 2%. What did that provision "not to exceed 5%" mean? I don't think it meant that the seller was to pay the usual commission, which would be 5%. I think it meant that the seller should pay the broker a reasonable compensation for the time that he put in, not to exceed 5% in finding a buyer. As a matter of fact the broker had only put in about an hour and if he got \$25 an hour this would be a reasonable compensation for the time that he put in. I'm not 100% sure about

this, but I am 100% sure that this is not a wise provision to put in an exclusive. If this is the only basis upon which the broker can get the listing, it's up to him to decide if he wishes to take this chance or not. Many sellers would not be as arbitrary as this one was.

THE owner of a factory building leased it to a tenant for five years at a monthly rental of \$250. The tenant paid the first month's rent and moved in, but before the month was over, moved out, claiming that the lease had been obtained by fraud. The landlord shopped around for a lawyer to bring suit for the second month's rent and he wound up in the office of a collection agency.

Suit was brought and a young lawyer went over to try the case. To him it was just another collection, and he had not given it any

By GEORGE F. ANDERSON

thought or preparation. He was met by an able and well prepared lawyer and he lost his case.

A conveyance in consideration of a prior existing debt does not make the grantee a bona fide purchaser for value. *Sparrows vs. Wilcox*, 272 Ill. 632.

The case of *Hardin vs. Osborne*, 94 Ill. 571, involved the question of whether or not an assignee in bankruptcy was a bona fide purchaser. The court said, "... as far as this jurisdiction is concerned, we regard it as settled that the assignee takes no greater or better title as against an unrecorded deed than was held by the bankrupt. If, however, in such a case the assignee were to sell and convey the land to an innocent purchaser without notice, and he were to place his deed on record before that of a prior purchaser, a different case would be presented.

SECTION 6 of the Act on Landlord & Tenant provides:

"In all cases of tenancy by the month, or for any other term less than one year, where the tenant holds over without special agreement, the landlord shall have the right to terminate the tenancy by ... 30 days notice, in writing, and to maintain an action of forcible detainer or ejectment."

It is under this section that a landlord terminates a month to month tenancy, and it should be observed that the section is applicable to the landlord only and that the notice must be in writing.

If the tenant wishes to terminate the tenancy he does so under Section 3 of the act. This section provides:

"If any tenant gives notice of his intention to quit the premises by him holden, at a time mentioned by him in such notice, at which the tenant would have the right to quit by the lease, and shall not accordingly deliver up possession thereof, such tenant shall pay to the landlord or lessor double the rent or sum which would otherwise have been due, to be collected in the same manner as the rent otherwise due should have been collected."

It should be observed that this section does not directly authorize a tenant to terminate the tenancy, but does so only by implication, and our courts have held that it is under this section that a tenant may terminate a tenancy from month to month.

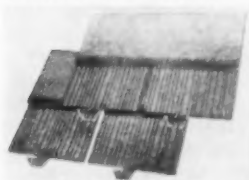
Product Progress

(Continued from page 12)

handles and top. The bases are equipped with Formica tops, fully insulated doors, and now have an attached utility basket on the inside of the double door.

Locked To The Roof

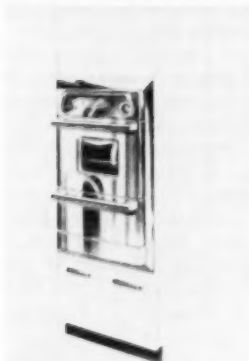
5-7



Called "Lok-Tap," this interlocking, asphalt strip shingle is a unique roofing development now being produced by The Ruberoid Company of New York. The center of each butt on the strip has a hook-shaped extension which fits into a pre-cut slot in the body of the shingle below. As each course is applied, the locking device is hidden from view. The shingles weigh 215 pounds, require 75 units and 225 nails to the square. They measure 24 inches by 18 inches, have a two inch headlap and an eight inch exposure.

For Roomier Kitchens

5-8



Save valuable kitchen floor space with this new wall oven cabinet by Republic Steel Kitchens of Canton, Ohio. Designed especially for the Caloric built-in gas oven, the cabinet is 84 inches high, 24 inches wide and 24½ inches deep. The upper storage space features an adjustable and removable shelf and double doors with fingertip touch-latch control. Additional storage space is provided below the oven.

For Interior Or Exterior Use

5-9



This new paint removing tool utilizes a metal enclosed super hot heat tube element and is manufactured by Shepherd Machine and Die Company of Cleveland. According to the manufacturer, this "Super Powermet" model heats in just 90 seconds and incorporates a new scraping blade at the front of the unit eliminating the back blade as in previous models. Operating on any 110-120 V. A.C. or D.C. outlet, the manufacturer further states the tool softens paint in seconds and removes up to 12 layers of old paint or enamel down to the bare wood grain.

Cork Insulation Tape

5-10

Den-ite insulation tape, manufactured by Dennis Chemical Company of St. Louis, has been especially developed as an insulating material for cold lines in air conditioning systems, freezers, plumbing installations, and wherever the problem of condensation is encountered. The tape also provides an effective sound deadening barrier, and has been used successfully as a gasketing material. The manufacturer

further claims the tape has excellent adhesion to itself and all types of surfaces and that no supplemental adhesives are required.

For More Want Ad Profits

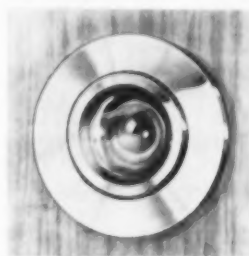
5-11

A "Check-Points for Buying Property" advertising campaign recently released by the Howard Parish Organization of Miami provides a novel promotional approach for Real Estate Boards. Each of the 13 display ads in the series is based on a helpful hint on things to look for in considering purchase of property, plus a specific reason for preferring the services of a realtor in handling the transaction. This new campaign is available to Real Estate Boards through their local newspaper. Mats of illustrations come in two sizes, permitting use of any amount of space.

"Peek-O" Viewer

5-12

The Home Protector Manufacturing Company, Los Angeles, has introduced this new type of optical



door viewer that gives a full 170 degree of viewing area. Manufactured in all standard finishes plus "dead black," it can be installed by unskilled workmen, requiring only one drilled 2¾ inch round hole for mounting. It automatically adjusts to fit all standard size doors. Swivel action of the viewer is made possible by a rugged ball joint. Two molded optical lenses provide wide-angle vision.

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Income Tax Pointers on Buying and Owning Real Estate

By BERT TORNBORGH, CPA

A MAJOR INCIDENT OF ACQUIRING, holding and disposing of real property is the attendant income tax consequences. You may ignore them only at peril to yourself and your pocketbook. Let's see what you have to watch out for, among other things — gain or loss on acquisition.

The value of property received as a gift, by bequest, devise or inheritance, is not taxable. But recipient must of course report any income received from the gift property, such as rents or mortgage interest. In like manner property received in exchange for other property, with or without cash, such as city real estate being swapped for a ranch or a farm, does not give rise to taxable income.

But if property is received as compensation for services rendered then the "fair market" value at time of receipt constitutes taxable income. This applies to real estate as well as other property. Suppose it has no ready market? In that case the entire amount realized should be reported in the year of eventual sale.

As to property acquired in settlement of a debt the Courts have held that the excess fair market value over the principal of the debt constitutes taxable income. Conversely, the excess of the debt over the value of the property received in payment is either a loss or a bad debt deduction. It should be noted that such deduction is allowable in the year the property is taken over, not when it is eventually disposed of.

Real estate acquired in exchange for bonds figured in an appellate court decision some years ago: the bonds were acquired at a discount and surrendered in exchange for the real property, the Court holding that taxable gain resulted measured by the excess of the fair market value of the real estate over amount invested in the bonds, including acquisition costs.

Sometimes real property is "disbursed" to shareholders as a liquidating dividend in lieu of cash. In essence, such distributions are treated as a sale of the stock. Hence, capital gain or loss is meas-

ured by the difference between the fair market value of the property received and cost or other basis of the stock.

What happens on a mortgagee's acquisition of property by foreclosure? The general rule, since 1942, is that you measure the difference between the basis of the obligation (usually unpaid principal of the mortgage) and the fair market value of the property. If the former exceeds the latter the difference is a bad debt. The other way around, if the market value exceeds the basis, the difference is ordinary income. Example —

A holds a parcel of real property at a cost of \$20,000, sells it to B for \$32,000, being \$10,000 cash and purchase money mortgage for \$22,000, with \$1,000 annual amortization. B took title. After \$4,000 had been paid on the principal of the mortgage B defaulted and reconveyed to A. A, in turn, when reporting the sale had valued the mortgage at 80% of face value. Therefore, although unpaid principal at default was \$18,000, the *tax basis* was only 80% of \$18,000, or \$14,400.

- a) If fair market value of property at date of reconveyance was \$17,000 A realized ordinary income of \$2,600 (the difference between tax basis of \$14,400 and \$17,000);
- b) If fair market value of property was only \$12,000 A would be entitled to a bad debt deduction of \$2,400 (difference between \$14,400 and \$12,000).

Receipts during Ownership

It should be somewhat obvious, but many taxpayers remain confused, so let us emphasize that rental value of property owned and occupied as a residence is not taxable income.

Is a deposit received under a contract of sale, income? Well, yes and no. The general rule is that it is *not* income unless the deposit exceeds the seller's basis for the property. In such event the excess is taxed. However, the Courts have held deposits taxable where the

liability to make refund was only contingent, and the line is not too clearly drawn. If a deposit is forfeited because contract is not carried through it is income to seller in year of forfeiture.

Receipts for granting easements are treated as sales in case of perpetual grant where owner divests himself of practically all beneficial interest and merely retains bare legal title. However, where grantor reserves a beneficial interest such as right to use land for pasture or cultivation the transaction is not a sale and easement receipts go to reduce cost or other basis of entire property. Should the payment exceed the basis, the excess is taxable gain.

The broad general rule is that proceeds of property insurance are not taxable but are applied against the loss. If loss exceeds the proceeds, the excess is deductible. Conversely, if property is completely destroyed and insurance proceeds exceed the adjusted basis of the property then the excess is taxable, as a capital gain if the transaction falls within Code Section 1231, dealing with "Property Used in the Trade or Business and Involuntary Conversions." Otherwise it is taxed as ordinary income. A fire, theft or casualty loss is, of course, an "involuntary conversion" unless you set your own fire, and that's another story.

In case of tax refunds the general rule is that if the taxpayer got a tax benefit from deducting the tax payment in an earlier year then the refund is taxable income. But if the tax was deducted in a loss year, for instance, and no "benefit" was derived from deducting it, then the refund would not be taxable income. The Courts have held that taxes that were capitalized when paid are not income when refunded, unless the property has been sold in the meanwhile and gain or loss computed with a cost-figure that included the capitalized taxes. As we see, there are all sorts of "angles" . . .

Pay-outs during Ownership

Some disbursements made as owner of real property are considered capital outlays, i.e. they are

added to the cost or other basis in arriving at "adjusted basis," while others are deductible when paid or accrued and have no bearing on the basis.

Architect's fees are normally part of the cost of construction and accordingly capitalized. However, the Courts have permitted deduction for architect's fees where the plans were never used or abandoned.

Payments by a landlord to a tenant to obtain cancellation of a lease are not deductible expense but a capital expenditure to be written off over the unexpired term of the cancelled lease.

Other outlays that have been held to be capital expenditures include cost of abstracts, cost of bond given to insure construction of building on leased land, cost of fences and sprinkler systems, converting from coal to oil heating, landlord's payment to tenant in reimbursement for leasehold improvements, legal expenses relating to zoning of leased premises, cost of clearing and grading lots, surveys of land involved in litigation and title examinations.

Property owners have a choice as to taxes and interest — "carrying charges" — in that they may either be claimed as a deduction or capitalized. You cannot do both in the same year, of course. Generally speaking it would be advantageous to take the deduction in profit-years and to capitalize in loss-years, when no tax benefit would be derived from the deduction. This applies to real property of any kind.

An old rule is the land is not subject to depreciation. But certain land improvements may be. It is well to differentiate improvements outlays and not bury them in land cost. Courts have held the following types of land improvements subject to depreciation:

- expenditures for slag and grading and building up swamp land to make a level race track, and for roads and parking space;
- cost of grading and graveling private road to permit customers access to a store and warehouse;
- cost of plank road and filling in and grading of swamp land on which new lumber yard was constructed;
- cost of sidewalks, gutters and drains on private property in a mill village;

— cost of tunnel under a public road between two business buildings owned by the taxpayer.

Make 'Em Buy

(Continued from page 22)

There must be dozens of approaches like this — but I'm sure you see what I mean. Mr. Prospect just has to feel that he must act now — in his own best interest — before he will finally buy.

The nice thing about this third decision of his is this: *It is the last one he needs to make.* And when he makes it . . . in the affirmative . . . you have sold a house.

It takes three things to make Mr. Prospect finally buy —

One: He must be satisfied that he will gain ad-

vantages which he doesn't now have. And they must be advantages from his point of view.

Two: He must be satisfied with the conversational climate. There must be no emotional storm brewing inside of him. He must feel that there's nothing but blue skies from now on.

Three: He must be satisfied that he must act now — in his own best interest. Nothing is to be gained by waiting. Something is to be gained by acting now.

Get him satisfied — on these points — and you won't have to worry any more about *when* he will finally buy. *He's ready now!*

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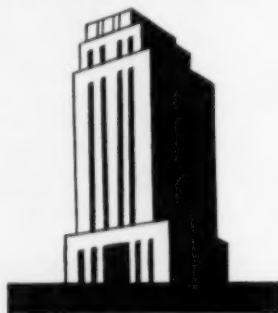
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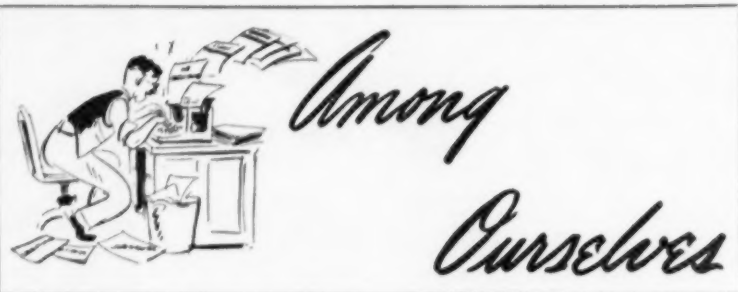
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Is this the real estate ad of the future? "Five room house, all electric kitchen, one and a half baths, two bedrooms, two-car garage and spacious bomb shelter. Located five miles from target area." Civil defense officials are planning to encourage builders to erect projects far enough from target areas but close enough to encourage city workers to live in them. Of course, one bomb would eliminate the necessity of being on the job the following morning.

The city which produces the automobiles that enabled the middle class population to desert the cities has come up with an idea to bring them back. A civic committee in Detroit, recognizing that areas left vacant by the move to the suburbs quickly became slum areas, are planning a "midtown suburb" to bring people and money to the central area. They plan to show that superhighways can be used to reverse both trends and traffic.

Apartments for rent in New York, Philadelphia, Pittsburgh, Chicago, Milwaukee — some with four bedrooms. Price \$6,000 per year. All modern conveniences, beautiful view, intercom phones, individual air conditioning. The demand for luxury apartments is rising throughout the country. Many older couples whose families have grown up and married are eager to be rid of the responsibility of taking care of a house. The luxury hotel apartments have their advantages — no screens and storm windows to put up every year, no snow to shovel, no lawn to mow. For the average man, there's one problem . . . no money, and he likes to mow the lawn.

If you're interested in building igloos or mud huts and want to know how weather affects them, scientists at Minneapolis-Honeywell can tell you by using a new "electronic brain" they have recently developed. The "brain" can duplicate the thermal characteristics of any house complete to the effects of such factors as storm windows and insulation, and can surround the house with any type of weather conditions desired. It can run through the complete life span of a house in a matter of minutes. The brain will be used in developing improved heating and air conditioning controls. One second of the brain's time is equal to 60 days of actual time. The brain is so flexible that weather conditions can be changed by twisting a dial.

An 18-month microfilming job is being undertaken by New York City to protect the records of approximately 845,000 parcels of real estate as a civil defense measure. The original records date from 1654 and are bound in 500-page volumes weighing 19 pounds each — 608 tons of books in all. About 32,000,000 records will be duplicated on approximately 2,250,000 feet of 35mm film, and when completed the film can be stored in 35 ordinary file cabinets.

The Chicago Real Estate Board has come up with an idea that many other boards might be willing to use. George F. Anderson and Joseph Teitelbaum have been conducting a regular "clinic on real estate problems" — a round-table discussion of the problems that come up in any participant's office. Attendance has been limited to 25 to keep the meetings manageable, and the idea has proved so popular that the city has been divided into sections and only brokers from one section are invited to participate at a time.

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